
MEMORANDUM FROM THE INTERNAL AUDITOR

TO: Larry Klein, Department Heads
Cc: Audit Committee

FROM: Greg Crump, Internal Auditor

DATE: March 2, 2015

RE: Verification of City Cash Funds

In accordance with the Fiscal Year 2014-15 Annual Audit Plan, I reviewed petty cash, cashier and change bank funds throughout all City Departments. The review was completed on February 3, 2015, and included a reconciliation of cash and receipts to authorized balances in the Finance Department and a determination if the expenditures were compliant with the petty cash policy. A copy of the petty cash policy is attached for your review.

The following petty, cashier and change bank funds were reviewed:

Department	Fund Type	Fund Amount
Finance	Petty	\$200
Finance	Cashier	\$200
Finance	Cashier	\$200
Finance	Change Bank	\$500
Fire	Petty	\$100
Legal	Petty	\$300
Police	Petty	\$200
Public Improvements	Petty	\$500
Recreation	Petty	\$150
Total		\$2,350

Issues were noted with the review of petty and cashier funds, details are as follows:

- The Department of Public Improvements and Legal Department regularly incur expenditures for automotive titles and tags, and document recording fees with the Kenton County Clerk's Office that are in excess of the \$25 petty cash limit. The Finance Department should consider changing the policy limit for these

departments to allow payment from petty cash or develop another payment method for these expenditures.

- Two of the petty cash funds had misplaced receipts totaling \$23.63. Petty cash shortages, due to missing receipts, should be reported to Finance through the reimbursement process and should not be paid for out of pocket by the petty cash custodian. The custodians are currently following this practice. The Finance Department should monitor petty cash reimbursements by custodian to ensure shortages are not occurring on a frequent basis.
- The former custodian at the Fire Department was maintaining an additional \$17 balance above the authorized petty cash amount. This amount should be deducted from the next reimbursement to reduce the balance to the authorized amount.

For the most part, the cash funds are being maintained in accordance with the petty cash policy with some minor exceptions noted above.

Please note that the policy includes a procedure for the Department Heads to also audit the petty cash funds in the presence of the custodian, at random, unannounced times, at least quarterly. This procedure should be documented on the electronic copy of the petty cash logs by recording the audit date, cash and receipt balance at time of audit, and Department Head name that completed the review.

Please contact me if you have any questions concerning my review or the Finance Department with questions about the Petty Cash Policy.